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FILED
DEC 22 1988

DEPARTMENT OF REAL ESTATE

By Laurie A. Gian

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DEPARTMENT OF REAL ESTATE

STATE OF CALIFORNIA

* * * *

In the Matter of the Accusation of)	No. H-22044 LA
DON KING STEPHENSON III,)	L-33092
Respondent.)	

ORDER DENYING REINSTATEMENT AFTER RECONSIDERATION

On March 19, 1985, a Decision was rendered herein, effective April 16, 1985, revoking the real estate salesperson license of Respondent DON KING STEPHENSON III (hereinafter Respondent), but granting Respondent the right to the issuance of a restricted real estate salesperson license. A restricted real estate salesperson license was issued to Respondent on October 16, 1985.

On December 21, 1987, Respondent petitioned for reinstatement of said license and the Attorney General of the State of California was given notice of the filing of the petition.

1 On October 27, 1988, an Order Denying Reinstatement of
2 License was rendered herein, effective November 22, 1988, denying
3 Respondent's petition for reinstatement of his real estate
4 salesperson license.

5 Thereafter, Respondent petitioned for reconsideration of
6 the Order Denying Reinstatement of License of October 27, 1988. On
7 November 22, 1988, the effective date of the Order of October 27,
8 1988, was stayed for a period of thirty (30) days to 12 o'clock
9 noon on December 22, 1988.

10 I have re-examined the Order Denying Reinstatement of
11 License of October 27, 1988, and the arguments filed by Respondent
12 in support of Respondent's petition for reconsideration. In light
13 of said re-examination, I do not find that there is good cause for
14 amendment of the Order Denying Reinstatement of License rendered
15 October 27, 1988, and reconsideration of said Order is hereby
16 denied.

17 This Order shall become effective immediately.

18 DATED: December 21, 1988.

19 JAMES A. EDMONDS, JR.
20 Real Estate Commissioner

21
22 By: John R. Liberator
23 JOHN R. LIBERATOR
24 Chief Deputy Commissioner

25 cc: Don King Stephenson III
26 2128 Mendon Drive
27 Rancho Palos Verdes, CA 90732

*SACTO.
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FILED
NOV 28 1988
DEPARTMENT OF REAL ESTATE
BY *[Signature]*

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DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

* * * *

In the Matter of the Accusation of)
DON KING STEPHENSON III,)
Respondent.)
_____)
No. H-22044 LA
L-33092

ORDER STAYING EFFECTIVE DATE

On October 27, 1988, an Order Denying Reinstatement of License was rendered in the above-entitled matter to become effective November 22, 1988.

IT IS HEREBY ORDERED that the effective date of the Order Denying Reinstatement of License of October 27, 1988, is stayed for a period of 30 days.

The Order Denying Reinstatement of License of October 27, 1988, shall become effective at 12 o'clock noon on December 22, 1988.

DATED: November 22, 1988.

JAMES A. EDMONDS, JR.
Real Estate Commissioner

By: *[Signature]*
RANDOLPH BRENDIA
Regional Manager

5/22/88
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NOV-2 1988

DEPARTMENT OF REAL ESTATE
BY *[Signature]*

DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

* * * *

In the Matter of the Accusation of)	No. H-22044 LA
)	L-33092
DON KING STEPHENSON III,)	
)	
Respondent.)	
)	

ORDER DENYING REINSTATEMENT OF LICENSE

On March 19, 1985, a Decision was rendered herein, effective April 16, 1985, revoking Respondent's real estate salesperson license, but granting Respondent the right to the issuance of a restricted real estate salesperson license. A restricted real estate salesperson license was issued to Respondent on October 16, 1985.

On December 21, 1987, Respondent petitioned for reinstatement of his real estate salesperson license and the Attorney General of the State of California has been given notice of the filing of said petition.

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1 I have considered the petition of Respondent and the
2 evidence submitted in support thereof, including Respondent's
3 record as a restricted licensee. Respondent has failed to
4 demonstrate to my satisfaction that he has undergone sufficient
5 rehabilitation to warrant the reinstatement of his real estate
6 salesperson license.

7 This determination has been made upon the basis of the
8 following factors and considerations:

9 1. The following conditions, limitations and
10 restrictions were attached to the restricted real estate
11 salesperson license issued to Respondent on October 16, 1985:

12 "...

13 "2. Said restricted license may be suspended
14 prior to hearing by order of the Real
15 Estate Commissioner on evidence satisfactory
16 to the Commissioner that the respondent has
17 violated provisions of the California Real
Estate Law, the Subdivided Lands Law,
regulations of the Real Estate Commissioner,
or conditions attaching to this restricted
license."

18 2. Respondent was employed as a restricted real estate
19 salesperson from October of 1985 to April 1, 1986, by Available
20 Real Estate, Inc., Daphne Shute, designated officer. During
21 November and December of 1985, without the knowledge or permission
22 of Shute, Respondent, using the unlicensed fictitious business
23 name of "Property Investments", solicited borrowers and lenders
24 for loans and/or negotiated loans secured by liens on real
25 property, including, but not necessarily limited to, soliciting

26

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1 borrowers Carl Swain and John Kalogeris for a \$2 million loan
2 wherein Respondent agreed to receive a commission amounting to
3 \$40,000.00.

4 3. The acts described in Paragraph 2, above, are acts
5 requiring a real estate broker license under the provisions of
6 Section 10131(d) of the California Business and Professions Code
7 (hereinafter Code). Respondent violated Section 10130 of the Code
8 by engaging in the above-described conduct without first obtaining
9 a real estate broker license from the California Department of
10 Real Estate. Considering the conditions, described in Paragraph
11 1, attached to Respondent's license, this violation of Real Estate
12 Law would have been grounds for the suspension or revocation of
13 Respondent's restricted real estate salesperson license under
14 Section 10177(k) of the Code. This constitutes a basis for denial
15 of Respondent's petition for reinstatement under Section 480(3) of
16 the Code.

17 4. In response to Question 7 of Respondent's petition,
18 he was asked to "List social, civic or community groups. State
19 extent of activity in such groups or organizations.", Respondent
20 wrote "N.A." Respondent's failure to show his involvement in any
21 social, civic or community activities is a manifestation of a lack
22 of evidence of rehabilitation and, as such, is a basis for denial
23 of Respondent's petition to reinstate his real estate salesperson
24 license under Section 2911(k), Title 10, Chapter 6, California
25 Code of Regulations (hereinafter Regulations).

26

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1 5. In response to Question 6 of Respondent's petition
2 for reinstatement of license, to wit: "Have you been a defendant
3 in any civil litigation since your license was disciplined?",
4 Respondent replied "Yes" and listed "Dora vs. T&T Financial et al,
5 Case Number 529693" thus implying that this was the only case
6 filed against him. Whereas, in truth, Respondent was named as a
7 defendant in Case No. SWC 93833 filed on or about August 4, 1987,
8 in the Superior Court of California, County of Los Angeles,
9 entitled John Edward Bright v. Don King Stephenson.


10 This material misstatement of fact in his petition
11 for reinstatement of license manifests a lack of honesty and
12 truthfulness and is a further basis for denial of Respondent's
13 petition for reinstatement of license under Sections 480(c) and
14 10177(a) of the Code.

15
16 NOW, THEREFORE, IT IS ORDERED that Respondent's petition
17 for reinstatement of his real estate salesperson license is
18 denied.

19 This Order shall become effective at 12 o'clock noon on
20 November 22, 1988.

21 DATED: October 27, 1988.

22 JAMES A. EDMONDS, JR.
23 Real Estate Commissioner

24
25 By: 
26 JOHN R. LIBERATOR
27 Chief Deputy Commissioner

cc: Don King Stephenson III
2128 Mendon Drive
Rancho Palos Verdes, CA 90732

DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

FILED

MAR 27 1985

DEPARTMENT OF REAL ESTATE

K. Kiedel

In the matter of the Accusation of)
DON KING STEPHENSON III,)

No. H-22044 LA

L-33092

Respondent(s))

DECISION

The Proposed Decision dated February 22, 1985,
of the Administrative Law Judge of the Office of Administrative
Hearings, is hereby adopted as the Decision of the Real Estate
Commissioner in the above-entitled matter.

This Decision shall become effective at 12 o'clock
noon on April 16, 1985.

IT IS SO ORDERED 3-19-85


JAMES A. EDMONDS, JR.
Real Estate Commissioner

BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

In the Matter of the Accusation)
of:)
) No. H-22044 LA
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DON KING STEPHENSON III,) L-33092
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Respondent.)
_____)

PROPOSED DECISION

This matter came on regularly for hearing before W. F. Byrnes, Administrative Law Judge of the Office of Administrative Hearings, at Los Angeles, California, on January 30 and 31, 1985. Timothy L. Newlove, Counsel, represented the complainant. Respondent appeared personally and was represented by Patrick Couwenberg, Attorney at Law, and Leslie O. Bradbury, Attorney at Law. Oral and documentary evidence was received. Complainant's motion was granted to strike from the Accusation paragraph XVII and the entire Second Cause of Action. The matter having been submitted, the Administrative Law Judge finds the following facts:

I

Thomas McCrady made the Accusation in his official capacity as a Deputy Real Estate Commissioner of the State of California.

II

Don King Stephenson III (hereinafter referred to as respondent Stephenson) is presently licensed and/or has license rights under the Real Estate Law (Part 1 of Division 4 of the Business and Professions Code).

III

At all times herein mentioned, respondent Stephenson was licensed by the Department of Real Estate of the State of California as a real estate salesperson with real estate broker Edmund R. Hollis (hereinafter "Hollis"), doing business as Rolling Hills Investment in the City of Torrance, County of Los Angeles, State of California.

IV

On or about July 17, 1978, respondent Stephenson, Don Stephenson and Ghislaine Stephenson (husband and wife) transferred certain real property commonly known as 1335 West 12th Street, San Pedro, California (hereinafter referred to as the "Property") to respondent Stephenson.

V

On or about June 30, 1981, a sale escrow at Palos Verdes Escrow Company was opened whereby respondent Stephenson agreed to sell the Property to Raymond W. Kompsi (hereinafter "Kompsi"). The initial terms of the sale were as follows: purchase price of \$125,000; Buyer to take subject to a first trust deed of \$61,000; Buyer to take subject to a second trust deed of \$36,000; Buyer to pay \$21,000 to respondent Stephenson through escrow; and Buyer to pay \$7,000 to respondent Stephenson outside of escrow. Said terms were amended in subsequent escrow instructions.

VI

On or about July 10, 1981, at the direction of respondent Stephenson and as part of the above-described sale escrow, a loan escrow was opened at Palos Verdes Escrow Company whereby Rolling Hills Investment Company (hereinafter "Rolling Hills") agreed to loan the amount of \$27,500 to Kompsi in exchange for a note and second trust deed in the same amount secured by the subject Property. On or about July 15, 1981, said loan escrow instructions were amended reducing the amount of said loan to \$26,000. At all times mentioned herein, the parties involved with said loan intended that the loan proceeds would be funded by The Garden Company.

VII

On or about July 15, 1981, Jane Lehr (hereinafter "Lehr") acting as the attorney-in-fact for Kompsi, executed a document entitled "Note Secured By Deed of Trust (Straight Note)" whereby Kompsi promised to pay Rolling Hills the amount of \$26,000 at 25% interest, payable in monthly interest installments for a two-year period. On the same day, Lehr, acting as attorney-in-fact for Kompsi, executed a second deed of trust securing said promissory note with the subject Property. The trustor on said trust deed was Kompsi and the beneficiary was Rolling Hills. On the same day, Rolling Hills executed a document entitled "Assignment of Deed of Trust" whereby Rolling Hills assigned its beneficial interest in the above-described promissory note and second deed of trust to The Garden Company. On or about July 24, 1981, The Garden Company sent the amount of \$25,000 to the above-described loan escrow.

VIII

In or about early August, 1981, respondent Stephenson contacted Virgil Best (hereinafter "Best") concerning an investment in a note and deed of trust secured by the subject Property (hereinafter referred to as the "Note"). In the course of their discussions:

A. It was not established that respondent Stephenson represented to Best that the Note was second in priority on the Property behind a note and first deed of trust encumbering the property. That was originally contemplated, but later the proposal was changed to Best's taking a third deed of trust behind the above-described note and second deed of trust held by The Garden Company and the note and first deed of trust encumbering the Property, all as is fully disclosed in the loan escrow documents signed by Best as well as in a letter to Best from the Escrow Officer and in the title and fire insurance documents provided to Best.

B. It was not established that respondent Stephenson represented to Best that all of the loan proceeds from the Note would only be used to repair and renovate the Property.

C. It was not established that respondent Stephenson represented to Best that Kompsi and Lehr, the borrowers, were credit worthy. Respondent Stephenson did represent to Best that Kompsi and Lehr were able to make required payments on the Note, which respondent Stephenson believed was true.

D. Respondent Stephenson represented to Best that the appraised value of the Property was \$145,000.00; it was not established that the said representation was untrue.

IX

In addition, in his solicitations to Best, respondent Stephenson failed to inform Best of the following material facts concerning an investment in the Note:

A. Respondent Stephenson failed to inform Best that he owned the Property and was selling the Property to Kompsi.

B. Respondent Stephenson failed to inform Best that Kompsi did not pay any money to purchase the Property and, in fact, received money as the purchaser of said Property.

C. Respondent Stephenson failed to inform Best that, during his ownership of the Property, respondent Stephenson was notified by the Department of Building and Safety of the City of Los Angeles of building code violations concerning the Property and that said violations continued to exist at the time respondent sold the Note to Best and his wife. Best was

informed, however, that part of the proceeds of the Note were to be used to repair and renovate the Property and "bring it up to Code." Best is, among other things, a licensed general building contractor (now inactive), and must be presumed to have understood the implications of the above-quoted expression.

X

A. On or about August 11, 1981, at the direction of respondent Stephenson, a loan escrow was opened at Palos Verdes Escrow Company whereby Best and his wife agreed to loan Kompsi the amount of \$36,000 in exchange for the Note and third deed of trust in the amount of \$44,000 secured by the subject Property. On the same day, Lehr, for herself and acting as the attorney-in-fact for Kompsi, executed a document entitled "Note Secured By Deed of Trust (Straight Note)" whereby Lehr and Kompsi promised to pay Best and his wife the amount of \$44,000 at 25% interest, payable in monthly interest installments for a one-year period. On the same day, Lehr, acting as attorney-in-fact for Kompsi, executed a third deed of trust securing said promissory note with the subject Property. The trustor on said deed of trust was Kompsi and the beneficiaries were Best and his wife. Thereafter, on or about August 22, 1981, Best and his wife paid over to Palos Verdes Escrow the loan proceeds of \$36,000.00.

XI

Thereafter, Best and his wife received only six payments on the Note before default on the Note by Lehr and Kompsi. In order to protect their interest in the Property, Best and his wife were forced to purchase the note and second deed of trust secured by the Property held by The Garden Company at a trustee's sale. In addition, Best and his wife expended considerable funds refurbishing and renovating the Property to satisfy a complaint filed by the Building and Safety Department of the City of Los Angeles, and to put it in good condition for resale. Eventually, the Property was resold for \$168,000.00.

XII

Throughout his transactions with Best, respondent Stephenson was acting as Best's agent in the capacity of a real estate licensee and was performing acts for which a real estate license is required. In his discussions with Best and in his failure to inform Best of all the material facts concerning an investment in the Note, respondent Stephenson acted with a lack of reasonable care under the circumstances. Best relied upon respondent Stephenson, to his detriment. After default on the Note by Lehr and Kompsi, respondent Stephenson attempted in good faith to salvage the damage by buying out Best, but he was unable to do so.

XIII

It was not established that respondent made substantial misrepresentations, or that he was guilty of fraud or dishonest dealing in the above-described transactions with Best.

* * * * *

Pursuant to the foregoing findings of fact, the Administrative Law Judge makes the following determination of issues:

I

Cause exists for suspension or revocation of respondent Stephenson's license pursuant to section 10177(g) of the Business and Professions Code, for acting in a negligent manner in the sale of the Note to Best and his wife.

II

Cause was not established for license discipline pursuant to sections 10176(a), 10176(i), or 10177(j) of the Business and Professions Code.

* * * * *

WHEREFORE, THE FOLLOWING ORDER is hereby made:

The real estate salesperson's license of respondent Don King Stephenson III is revoked; provided, however, that a restricted real estate salesperson's license shall be issued to respondent pursuant to section 10156.5 of the Business and Professions Code if respondent makes application therefor and pays to the Department of Real Estate the appropriate fee for said license within six months from the effective date of the decision herein.

The restricted license issued to respondent shall be subject to all of the provisions of section 10156.7 of the Business and Professions Code and the following limitations, conditions and restrictions imposed under authority of section 10156.6 of said Code:

1. Said restricted license may be suspended prior to hearing by order of the Real Estate Commissioner in the event of respondent's conviction or plea of nolo contendere to a crime which bears a significant relationship to respondent's fitness or capacity as a real estate licensee.

2. Said restricted license may be suspended prior to hearing by order of the Real Estate Commissioner on evidence satisfactory to the Commissioner that the respondent has violated

provisions of the California Real Estate Law, the Subdivisions Lands Laws, regulations of the Real Estate Commissioner, or conditions attaching to this restricted license.

3. Prior to issuance of the restricted license respondent shall present evidence satisfactory to the Department of having taken and completed 45 hours of approved continuing education offerings, including a three-hour course in ethics, professional conduct, and legal aspects of real estate, within the four-year period immediately preceding the date on which the respondent presents such evidence to the Department.

4. Respondent shall not be eligible to apply for the issuance of an unrestricted real estate license nor the removal of any of the conditions, limitations, or restrictions of a restricted license until one year has elapsed from the date of issuance of the restricted license to respondent.

5. Respondent shall submit with his application for license under an employing broker, or his application for a transfer to a new employing broker, a statement signed by the prospective employing broker which shall certify:

- a. That the decision of the Commissioner which granted the right to a restricted license has been read; and
- b. That close supervision will be exercised over the performance by the restricted licensee of activities for which a real estate license is required.

I hereby submit the foregoing which constitutes my Proposed Decision in the above-entitled matter, as a result of the hearing had before me on January 30 and 31, 1985, at Los Angeles, California, and recommend its adoption as the decision of the Real Estate Commissioner.

DATED: 2-22-85


W. F. BYRNES
Administrative Law Judge
Office of Administrative Hearings

WFB:btm

Sacto

BEFORE THE DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

FILED
OCT 12 1984

DEPARTMENT OF REAL ESTATE
Ch. [Signature]

In the Matter of the Accusation of
DON KING STEPHENSON III,

Case No. H-22044 LA
L-33092

Respondent(s)

NOTICE OF HEARING ON ACCUSATION

TO THE ABOVE NAMED RESPONDENT:

YOU ARE HEREBY NOTIFIED that a hearing will be held before the Department of Real Estate at the Office of Administrative Hearings
314 West First Street, Los Angeles, California 90012 on Jan. 30, 31,
1985 and February 1, _____, 19 85, at the hour of 9:00 am.,
or as soon thereafter as the matter can be heard, upon the charges made in the
Accusation served upon you.

You may be present at the hearing, and you may be represented by counsel, but you are neither required to be present at the hearing nor to be represented by counsel. If you are not present in person, nor represented by counsel at the hearing, the Department may take disciplinary action against you upon any express admissions, or other evidence including affidavits, without any notice to you.

You may present any relevant evidence and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to the issuance of subpoenas to compel the attendance of witnesses and the production of books, documents or other things by applying to the Department of Real Estate.

DATED: October 12, 1984

cc: Don King Stephenson III
William Nathaniel Woods, Jr.
Patrick Couwenberg, Esq.
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JF

JAMES A. EDMONDS, JR.
DEPARTMENT OF REAL ESTATE
By *TL Newlove*
Counsel

SACD

1 TIMOTHY L. NEWLOVE, Counsel
2 Department of Real Estate
3 107 South Broadway, Room 8107
4 Los Angeles, California 90012
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6
7
8 (213) 620-4790

FILED

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DEPARTMENT OF REAL ESTATE
BY *[Signature]*

DEPARTMENT OF REAL ESTATE
STATE OF CALIFORNIA

* * * *

11 In the Matter of the Accusation of) No. H-22044 LA
12 DON KING STEPHENSON III,) A C C U S A T I O N
13 Respondent.)
14)

15 The complainant, Thomas McCrady, a Deputy Real Estate
16 Commissioner of the State of California, for cause of accusation
17 against DON KING STEPHENSON III, alleges as follows:

18 I

19 The complainant, Thomas McCrady, a Deputy Real Estate
20 Commissioner of the State of California, makes this Accusation in
21 his official capacity.

22 II

23 DON KING STEPHENSON III (hereinafter referred to as
24 Respondent STEPHENSON) is presently licensed and/or has license
25 rights under the Real Estate Law (Part 1 of Division 4 of the
26 Business and Professions Code).

1 III

2 At all times herein mentioned, Respondent STEPHENSON was
3 licensed by the Department of Real Estate of the State of
4 California as a real estate salesperson with real estate broker
5 Edmund R. Hollis (hereinafter "Hollis"), doing business as Rolling
6 Hills Investment in the City of Torrance, County of Los Angeles,
7 State of California.

8 IV

9 In performing the acts described hereinbelow, Respondent
10 STEPHENSON was at all times performing acts for which a real
11 estate license is required, for or in expectation of a
12 compensation.

13 V

14 On or about July 17, 1978, Respondent STEPHENSON, Don
15 Stephenson and Ghislaine Stephenson (husband and wife) transferred
16 certain real property commonly known as 1335 West 12th Street,
17 San Pedro, California (hereinafter referred to as the "Property")
18 to Respondent STEPHENSON.

19 VI

20 On or about June 30, 1981, a sale escrow at Palos Verdes
21 Escrow Company was opened whereby Respondent STEPHENSON agreed to
22 sell the Property to Raymond W. Kompsi (hereinafter "Kompsi").
23 The initial terms of the sale were as follows: purchase price of
24 \$125,000; Buyer to take subject to a first trust deed of \$61,000;
25 Buyer to take subject to a second trust deed of \$36,000; Buyer to
26 pay \$21,000 to Respondent through escrow; and Buyer to pay \$7,000
27 to Respondent outside of escrow. Said terms were amended in

1 subsequent escrow instructions. Said escrow shall hereinafter be
2 referred to as the "sale escrow".

3 VII

4 On or about July 10, 1981, at the direction of
5 Respondent STEPHENSON and as part of the above-described sale
6 escrow, a loan escrow was opened at Palos Verdes Escrow Company
7 whereby Rolling Hills Investment Company (hereinafter "Rolling
8 Hills") agreed to loan the amount of \$27,500 to Kompsi in exchange
9 for a note and second trust deed in the same amount secured by the
10 subject Property. On or about July 15, 1981, said loan escrow
11 instructions were amended reducing the amount of said loan to
12 \$26,000. At all times mentioned herein, the parties involved with
13 said loan intended that the loan proceeds would be funded by The
14 Garden Company.

15 VIII

16 On or about July 15, 1981, Jane Lehr (hereinafter "Lehr"),
17 acting as the attorney-in-fact for Kompsi, executed a document
18 entitled "Note Secured By Deed of Trust (Straight Note)" whereby
19 Kompsi promised to pay Rolling Hills the amount of \$26,000 at 25%
20 interest, payable in monthly interest installments for a two-year
21 period. On the same day, Lehr, acting as attorney-in-fact for
22 Kompsi, executed a second deed of trust securing said promissory
23 note with the subject Property. The trustor on said trust deed
24 was Kompsi and the beneficiary was Rolling Hills. On the same
25 day, Rolling Hills executed a document entitled "Assignment of
26 Deed of Trust" whereby Rolling Hills assigned its beneficial
27 interest in the above-described promissory note and second deed of

1 trust to The Garden Company. On or about July 24, 1981, The
2 Garden Company sent the amount of \$25,000 to the above-described
3 loan escrow.

4 IX

5 In or about early August, 1981, Respondent STEPHENSON
6 contacted Virgil Best (hereinafter "Best") concerning an
7 investment in a note and deed of trust secured by the subject
8 Property (hereinafter referred to as the "Note"). In his
9 solicitations to Best, Respondent STEPHENSON made the following
10 statements which were false and misleading:

11 (a) Respondent STEPHENSON represented to Best that the
12 Note was second in priority on the Property behind a note and
13 first deed of trust encumbering the Property.

14 (b) Respondent STEPHENSON represented to Best that
15 loan proceeds provided by Best in exchange for a full interest in
16 the Note would be used to repair and renovate the Property.

17 (c) Respondent STEPHENSON represented to Best that
18 Kompsi and Lehr, the borrowers of said loan, were credit worthy
19 and able to make required loan payments on the Note.

20 (d) Respondent STEPHENSON represented to Best that the
21 appraised value of the Property was \$145,000.

22 X

23 The above-described representations were false and
24 misleading. The true facts were as follows:

25 (a) The Note sold to Best and his wife by Respondent
26 STEPHENSON was third in priority on the Property behind the
27 above-described note and second deed of trust held by The Garden

1 Company and the note and first deed of trust encumbering the
2 Property.

3 (b) The loan proceeds provided by Best and his wife
4 were used to satisfy existing encumbrances on the Property, not to
5 make repairs and renovations.

6 (c) Kompsi and Lehr were not able to make the required
7 loan payments on the Note.

8 (d) Respondent STEPHENSON knew, or in the exercise of
9 reasonable care should have known, that the true market value of
10 the Property was less than \$145,000 due to building code
11 violations.

12 XI

13 In addition, in his solicitations to Best, Respondent
14 STEPHENSON failed to inform Best of the following material facts
15 concerning an investment in the Note:

16 (a) Respondent STEPHENSON failed to inform Best that
17 he owned the Property and was selling the Property to Kompsi.

18 (b) Respondent STEPHENSON failed to inform Best that
19 Kompsi did not pay any money to purchase the Property and, in
20 fact, received money as the purchaser of said Property.

21 (c) Respondent STEPHENSON failed to inform Best that
22 he intended to use the loan proceeds provided by Best to help
23 retire certain loans which encumbered the Property.

24 (d) Respondent STEPHENSON failed to inform Best that,
25 during his ownership of the Property, Respondent STEPHENSON was
26 notified by the Department of Building and Safety of the City of
27 Los Angeles of building code violations concerning the Property

1 and that said violations continued to exist at the time Respondent
2 sold the Note to Best and his wife.

3 XII,

4 Respondent STEPHENSON knowingly, or through lack of
5 reasonable care under the circumstances, made the material
6 misrepresentations described hereinabove in Paragraph IX and
7 failed to make the material facts described hereinabove in
8 Paragraph XI with the intent to induce Best to provide loan
9 proceeds and invest in the Note. In reliance on such
10 misrepresentations and without knowledge of such omissions of
11 facts, Best agreed to invest in the Note.

12 XIII

13 On or about August 11, 1981, at the direction of
14 Respondent STEPHENSON, a loan escrow was opened at Palos Verdes
15 Escrow Company whereby Best and his wife agreed to loan Kompsi
16 the amount of \$36,000 in exchange for a note and third deed of
17 trust in the amount of \$44,000 secured by the subject Property
18 (hereinafter referred to as the "Note"). On the same day, Lehr,
19 for herself and acting as the attorney-in-fact for Kompsi,
20 executed a document entitled "Note Secured By Deed of Trust
21 (Straight Note)" whereby Lehr and Kompsi promised to pay Best and
22 his wife the amount of \$44,000 at 25% interest, payable in
23 monthly interest installments for a one-year period. On the same
24 day, Lehr, acting as attorney-in-fact for Kompsi, executed a
25 third deed of trust securing said promissory note with the
26 subject Property. The trustor on said deed of trust was Kompsi
27 and the beneficiaries were Best and his wife.

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XIV

On or about August 22, 1981, Best and his wife executed a check in the amount of \$36,000 in favor of Palos Verdes Escrow as part of the above-described investment in the Note. Best and his wife would not have entered into the above-described loan escrow and funded said escrow had they known the truth behind the misrepresentations described in Paragraph IX hereinabove and had they been informed of the material facts described in Paragraph XI hereinabove.

XV

Thereafter, Best and his wife received only six payments on the Note before default on the Note by Lehr and Kompsi. In order to protect their interest in the Property, Best and his wife were forced to purchase the note and second deed of trust secured by the Property held by The Garden Company at a trustee's sale. In addition, Best and his wife expended considerable funds refurbishing and renovating the Property to satisfy a complaint filed by the Building and Safety Department of the City of Los Angeles.

XVI

The acts and omissions of Respondent STEPHENSON, as alleged hereinabove, constitute grounds for the suspension or revocation of Respondent's real estate license and real estate license rights under the provisions of Section 10176(a) of the Business and Professions Code (hereinafter "Code") for making substantial misrepresentations to Best in the sale of the note to Best and his wife.

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XVII

The acts and omissions of Respondent STEPHENSON, as alleged hereinabove, constitute grounds for the suspension or revocation of Respondent's real estate license and real estate license rights under the provisions of Section 10176(g) of the Code for deriving an undisclosed compensation and/or profit in the sale of the Note to Best.

XVIII

The acts and omissions of Respondent STEPHENSON, as alleged hereinabove, constitute grounds for the suspension or revocation of Respondent's real estate license and real estate license rights under the provisions of Section 10176(i) of the Code for practicing fraud and dishonest dealing in the sale of the Note to Best and his wife.

XIX

The acts and omissions of Respondent STEPHENSON, as alleged hereinabove, constitute grounds for the suspension or revocation of Respondent's real estate license and real estate license rights under the provisions of Section 10177(g) of the Code for acting in a negligent and/or incompetent manner in the sale of the Note to Best and his wife.

XX

The acts and omissions of Respondent STEPHENSON, as alleged hereinabove, constitute grounds for the suspension or revocation of Respondent's real estate license and real estate license rights under the provisions of Section 10177(j) of the Code for practicing fraud and dishonest dealing in the sale of

1 the Note to Best and his wife.

2 SECOND CAUSE OF ACTION

3 (VIOLATION OF REAL PROPERTY SECURITIES ACT)

4 XXI

5 As a second, separate and distinct Accusation,
6 Complainant incorporates herein by this reference each of the
7 allegations in Paragraphs I through XV hereinabove and alleges as
8 follows.

9 XXII

10 In his solicitations to Best concerning an investment
11 in the Note, Respondent STEPHENSON guaranteed that he would
12 repurchase any investment made by Best with the funds of another
13 investor if Best so desired. Based on such guarantee, Best and
14 his wife purchased the Note. After the default on the Note,
15 Best requested Respondent STEPHENSON to honor said guarantee but
16 he failed to do so.

17 XXIII

18 Respondent STEPHENSON's sale of the Note in connection
19 with the above-described guarantee to Best constitutes the sale
20 of a real property security as defined in Section 10237.1(a)(7)
21 of the Code. At no time during the sale of said real property
22 security did Respondent STEPHENSON or Rolling Hills Investment,
23 the broker for Respondent STEPHENSON, have an endorsement from
24 the California Real Estate Commissioner as required by
25 Section 10237.3 of the Code. At no time during the sale of said
26 real property security did Respondent STEPHENSON have a permit
27 from the California Real Estate Commissioner to sell real

1 property securities as required by Section 10238.3 of the Code.
2 At no time during the sale of said real property security did
3 Respondent STEPHENSON provide to Best a written statement of the
4 information set forth in Section 10237.5 of the Code, as required
5 by Section 10237.4 of the Code.

6 XIV

7 The acts and omissions of Respondent STEPHENSON, as
8 alleged hereinabove in Paragraph XXIII constitute grounds for the
9 suspension or revocation of said Respondent's real estate license
10 under the provisions of Section 10177(d) of the Code.

11
12 WHEREFORE, Complainant prays that a hearing be conducted
13 on the allegations of this Accusation and that, upon proof
14 thereof, a decision be rendered imposing disciplinary action
15 against all licenses and license rights of Respondent DON KING
16 STEPHENSON III, under the Real Estate Law and for such other and
17 further relief as may be proper under other applicable provisions
18 of law.

19 Dated at Los Angeles, California
20 this 7th day of August, 1984.

21 
22 _____
23 Deputy Real Estate Commissioner

24
25 cc: Don King Stephenson III
26 William Nathaniel Woods, Jr.
27 Sacto.
JF